



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010  
OF THE CONDITION AND AFFAIRS OF THE

CareSource Michigan

NAIC Group Code	3683	(Current Period)	0000	(Prior Period)	NAIC Company Code	95562	Employer's ID Number	38-3252216
Organized under the Laws of	Michigan				State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States							
Licensed as business type:	Life, Accident & Health [ ]		Property/Casualty [ ]		Hospital, Medical & Dental Service or Indemnity [ ]			
	Dental Service Corporation [ ]		Vision Service Corporation [ ]		Health Maintenance Organization [ X ]			
	Other [ ]				Is HMO, Federally Qualified? Yes [ ] No [ X ]			
Incorporated/Organized	05/24/1995		Commenced Business		08/01/1996			
Statutory Home Office	2900 West Road, Suite 201				East Lansing, MI 48823-6386			
	(Street and Number)				(City or Town, State and Zip Code)			
Main Administrative Office	2900 West Road, Suite 201		East Lansing, MI 48823-6386		517-349-9922			
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	2900 West Road, Suite 201		East Lansing, MI 48864-6386					
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)					
Primary Location of Books and Records	2900 West Road, Suite 201		East Lansing, MI 48823-6386		937-531-2159			
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Web Site Address	www.caresource.com							
Statutory Statement Contact	L Tarlton Thomas III				937-531-2159			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	tarlton.thomas@caresource.com				937-531-2676			
	(E-mail Address)				(FAX Number)			

OFFICERS

Name	Title	Name	Title
Sharon R. Williams	Plan President	Craig Thiele M.D.	Chief Medical Officer
Bobby Jones	Chief Operating Officer	L. Tarlton Thomas III	Chief Financial Officer

OTHER OFFICERS

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DIRECTORS OR TRUSTEES

Pamela B. Morris	Margaret Marchak	Evonne Williams	Karen Hamilton
J. Thomas Maultsby #	R. Daniel Sadlier		

State of \_\_\_\_\_ ss  
County of \_\_\_\_\_

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Sharon R. Williams Plan President	Bobby Jones Chief Operating Officer	L. Tarlton Thomas III Chief Financial Officer
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a. Is this an original filing? Yes [ X ] No [ ]

b. If no:

1. State the amendment number \_\_\_\_\_

2. Date filed \_\_\_\_\_

3. Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE CareSource Michigan

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	16,992,602		16,992,602	18,586,655
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....(562,879) ), cash equivalents (\$ .....7,715,108 ) and short-term investments (\$ .....19,961,651 ) .....	27,113,880		27,113,880	23,060,967
6. Contract loans (including \$ .....premium notes) .....			0	0
7. Derivatives .....			0	
8. Other invested assets .....	0		0	0
9. Receivables for securities .....			0	0
10. Aggregate write-ins for invested assets .....	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10) .....	44,106,482	0	44,106,482	41,647,622
12. Title plants less \$ .....charged off (for Title insurers only) .....			0	0
13. Investment income due and accrued .....	188,791		188,791	202,875
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection .....	350,616		350,616	923,094
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premiums) .....			0	0
14.3 Accrued retrospective premiums .....			0	0
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers .....	0		0	245,625
15.2 Funds held by or deposited with reinsured companies .....			0	0
15.3 Other amounts receivable under reinsurance contracts .....			0	0
16. Amounts receivable relating to uninsured plans .....			0	0
17.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
17.2 Net deferred tax asset .....			0	0
18. Guaranty funds receivable or on deposit .....			0	0
19. Electronic data processing equipment and software .....			0	0
20. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
21. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
22. Receivables from parent, subsidiaries and affiliates .....			0	0
23. Health care (\$ .....667,275 ) and other amounts receivable .....	667,275		667,275	1,481,010
24. Aggregate write-ins for other than invested assets .....	11,250	11,250	0	0
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24) .....	45,324,414	11,250	45,313,164	44,500,226
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
27. Total (Lines 25 and 26) .....	45,324,414	11,250	45,313,164	44,500,226
DETAILS OF WRITE-INS				
1001. ....			0	0
1002. ....			0	0
1003. ....			0	0
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0	0
1099. Totals (Lines 1001 through 1003 plus 1098) (Line 10 above) .....	0	0	0	0
2401. Prepaid Expenses .....	11,250	11,250	0	0
2402. ....			0	0
2403. ....			0	0
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) .....	11,250	11,250	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....29,779 reinsurance ceded).....	13,727,027		13,727,027	13,788,759
2. Accrued medical incentive pool and bonus amounts .....	305,842		305,842	152,965
3. Unpaid claims adjustment expenses .....	233,208		233,208	222,833
4. Aggregate health policy reserves .....			0	0
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserve .....			0	0
7. Aggregate health claim reserves .....			0	0
8. Premiums received in advance .....	806,423		806,423	0
9. General expenses due or accrued .....	318,094		318,094	386,637
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses)) .....			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable .....			0	0
12. Amounts withheld or retained for the account of others .....			0	0
13. Remittances and items not allocated .....			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....			0	0
15. Amounts due to parent, subsidiaries and affiliates .....	10,515,358		10,515,358	8,339,861
16. Derivatives.....			0	
17. Payable for securities .....			0	0
18. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....			0	0
19. Reinsurance in unauthorized companies .....			0	0
20. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
21. Liability for amounts held under uninsured plans .....			0	0
22. Aggregate write-ins for other liabilities (including \$ ..... current) .....	0	0	0	0
23. Total liabilities (Lines 1 to 22).....	25,905,952	0	25,905,952	22,891,055
24. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
25. Common capital stock .....	XXX	XXX		0
26. Preferred capital stock .....	XXX	XXX		0
27. Gross paid in and contributed surplus .....	XXX	XXX	7,831,735	7,831,735
28. Surplus notes .....	XXX	XXX		0
29. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
30. Unassigned funds (surplus) .....	XXX	XXX	11,575,477	13,777,436
31. Less treasury stock, at cost:				
31.1 ..... shares common (value included in Line 25 \$ ..... ) .....	XXX	XXX		0
31.2 ..... shares preferred (value included in Line 26 \$ ..... ) .....	XXX	XXX		0
32. Total capital and surplus (Lines 24 to 30 minus Line 31) .....	XXX	XXX	19,407,212	21,609,171
33. Total liabilities, capital and surplus (Lines 23 and 32)	XXX	XXX	45,313,164	44,500,226
DETAILS OF WRITE-INS				
2201. ....	0		0	0
2202. ....				
2203. ....				
2298. Summary of remaining write-ins for Line 22 from overflow page .....	0	0	0	0
2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)	0	0	0	0
2401. ....	XXX	XXX		0
2402. ....	XXX	XXX		0
2403. ....	XXX	XXX		0
2498. Summary of remaining write-ins for Line 24 from overflow page .....	XXX	XXX	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	XXX	XXX	0	0
2901. ....	XXX	XXX		0
2902. ....	XXX	XXX		0
2903. ....	XXX	XXX		0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	XXX	XXX	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months	XXX	353,656	444,286	566,817
2. Net premium income (including \$ non-health premium income)	XXX	98,847,586	126,695,513	162,267,680
3. Change in unearned premium reserves and reserve for rate credits	XXX		0	0
4. Fee-for-service (net of \$ medical expenses)	XXX		0	0
5. Risk revenue	XXX		0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	(2,285,681)	(2,241,454)
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	98,847,586	124,409,832	160,026,226
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits		58,307,911	68,601,741	88,958,961
10. Other professional services		5,271,879	6,973,770	8,606,076
11. Outside referrals			0	0
12. Emergency room and out-of-area		4,355,404	5,465,188	7,210,383
13. Prescription drugs		10,755,557	14,107,286	18,175,778
14. Aggregate write-ins for other hospital and medical	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		368,271	229,975	265,091
16. Subtotal (Lines 9 to 15)	0	79,059,022	95,377,960	123,216,289
<b>Less:</b>				
17. Net reinsurance recoveries		(47,647)	250,271	217,977
18. Total hospital and medical (Lines 16 minus 17)	0	79,106,669	95,127,689	122,998,312
19. Non-health claims (net)			0	0
20. Claims adjustment expenses, including \$ 2,550,288 cost containment expenses		2,857,414	3,504,798	4,691,969
21. General administrative expenses		9,753,114	9,571,609	13,134,830
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			0	0
23. Total underwriting deductions (Lines 18 through 22)	0	91,717,197	108,204,096	140,825,111
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	7,130,389	16,205,736	19,201,115
25. Net investment income earned		678,901	839,462	1,082,806
26. Net realized capital gains (losses) less capital gains tax of \$			0	659
27. Net investment gains (losses) (Lines 25 plus 26)	0	678,901	839,462	1,083,465
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ) (amount charged off \$ )]			0	0
29. Aggregate write-ins for other income or expenses	0	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	7,809,290	17,045,198	20,284,580
31. Federal and foreign income taxes incurred	XXX		0	0
32. Net income (loss) (Lines 30 minus 31)	XXX	7,809,290	17,045,198	20,284,580
<b>DETAILS OF WRITE-INS</b>				
0601. Quality Assurance Assessment	XXX		(2,285,681)	(2,241,454)
0602.	XXX		0	0
0603.	XXX		0	0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	(2,285,681)	(2,241,454)
0701.	XXX		0	0
0702.	XXX		0	0
0703.	XXX		0	0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0	0
1401.			0	0
1402.			0	0
1403.			0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	0
2901.			0	0
2902.			0	0
2903.			0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL AND SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year.....	21,609,171	19,531,914	19,531,914
34. Net income or (loss) from Line 32 .....	7,809,290	17,045,198	20,284,580
35. Change in valuation basis of aggregate policy and claim reserves .....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0	0
38. Change in net deferred income tax .....		0	0
39. Change in nonadmitted assets .....	(11,250)	187,065	198,315
40. Change in unauthorized reinsurance .....	0	0	0
41. Change in treasury stock .....		0	0
42. Change in surplus notes .....	0	0	0
43. Cumulative effect of changes in accounting principles .....		0	0
44. Capital Changes:			
44.1 Paid in .....		0	0
44.2 Transferred from surplus (Stock Dividend) .....		0	0
44.3 Transferred to surplus .....		0	0
45. Surplus adjustments:			
45.1 Paid in .....		0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0	0
45.3 Transferred from capital .....	0	(10,405,638)	(605,638)
46. Dividends to stockholders .....	(10,000,000)	0	(17,800,000)
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0	0
48. Net change in capital and surplus (Lines 34 to 47) .....	(2,201,960)	6,826,625	2,077,257
49. Capital and surplus end of reporting period (Line 33 plus 48)	19,407,211	26,358,539	21,609,171
DETAILS OF WRITE-INS			
4701. ....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance	100,469,447	126,150,398	161,547,672
2. Net investment income	647,035	674,002	924,853
3. Miscellaneous income	0	0	(2,969,380)
4. Total (Lines 1 to 3)	101,116,482	126,824,400	159,503,144
5. Benefit and loss related payments	78,199,075	96,258,984	124,864,970
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	12,504,497	16,000,362	17,893,719
8. Dividends paid to policyholders		0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0	0
10. Total (Lines 5 through 9)	90,703,572	112,259,346	142,758,689
11. Net cash from operations (Line 4 minus Line 10)	10,412,910	14,565,054	16,744,456
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	1,640,003	1,654,271	2,725,666
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,640,003	1,654,271	2,725,666
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	1,877,338	1,877,338
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	1,877,338	1,877,338
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	1,640,003	(223,067)	848,328
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	8,000,000	14,200,000	14,200,000
16.6 Other cash provided (applied)	0	(5,838,454)	(5,418,646)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(8,000,000)	(20,038,454)	(19,618,646)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,052,913	(5,696,467)	(2,025,862)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	23,060,967	25,086,829	25,086,829
19.2 End of period (Line 18 plus Line 19.1)	27,113,880	19,390,362	23,060,967

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE CareSource Michigan

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year .....	41,557	.0	.0	.0	.0	.0	.0	190	41,367	.0
2 First Quarter .....	39,318	.0	.0	.0	.0	.0	.0	231	39,087	.0
3 Second Quarter .....	39,228	.0	.0	.0	.0	.0	.0	289	38,939	.0
4 Third Quarter .....	37,582							322	37,260	
5 Current Year	0									
6 Current Year Member Months	353,656							2,359	351,297	
Total Member Ambulatory Encounters for Period:										
7. Physician .....	143,171							1,514	141,657	
8. Non-Physician .....	97,642							1,624	96,018	
9. Total	240,813	0	0	0	0	0	0	3,138	237,675	0
10. Hospital Patient Days Incurred	12,760							270	12,490	
11. Number of Inpatient Admissions	3,509							67	3,442	
12. Health Premiums Written (a).....	99,139,544							2,333,858	96,805,686	
13. Life Premiums Direct .....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned .....	99,139,544							2,333,858	96,805,686	
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services .....	78,199,075							1,570,726	76,628,349	
18. Amount Incurred for Provision of Health Care Services	79,059,022							2,090,419	76,968,603	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ 2,333,858

## CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

[illegible]



UNDERWRITING AND INVESTMENT EXHIBIT  
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid Dec. 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....					0	0
2. Medicare Supplement .....					0	0
3. Dental Only .....					0	0
4. Vision Only .....					0	0
5. Federal Employees Health Benefits Plan .....					0	0
6. Title XVIII - Medicare .....	281,846	1,288,880	3,558	972,249	285,404	545,333
7. Title XIX - Medicaid .....	13,206,867	65,293,794	425,843	12,325,377	13,632,710	13,243,426
8. Other health .....					0	0
9. Health subtotal (Lines 1 to 8).....	13,488,713	66,582,674	429,401	13,297,626	13,918,114	13,788,759
10. Health care receivables (a) .....	1,063,973	1,067,519	63,517	139,021	1,127,490	1,018,987
11. Other non-health .....					0	0
12. Medical incentive pools and bonus amounts .....	174,870	84,310	0	305,842	174,870	152,965
13. Totals	12,599,610	65,599,465	365,884	13,464,447	12,965,494	12,922,737

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

1- Summary of Significant Accounting Policies

A. Accounting Practices –

**Basis of Presentation** – CareSource Michigan’s (CSM’s) statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial and Insurance Regulation (“OFIR”). OFIR requires that insurance companies domiciled in the State of Michigan prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual (NAIC AP&P) subject to any deviation prescribed or permitted by OFIR Accounting practices and procedures of the NAIC, as prescribed or permitted by the insurance department of the applicable states of domicile, comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). No material change has occurred since the Annual 2009 filing.

**Investments:** Bonds not backed by other loans are principally stated at amortized cost using the interest method. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities. Realized capital gains and losses are determined using the first in first out method. CSM does not engage in subprime residential lending.

**Nonadmitted Assets:** Certain assets designated as “non-admitted,” principally prepaid expenses are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

**Reinsurance:** Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

**Statements of Cash Flows:** Cash, cash equivalents, and short-term investments in the statements of cash flows represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements have not been quantified.

Other significant accounting practices are as follows:

Investments Bonds and common stocks are stated at values prescribed by the NAIC, as follows:  
Bonds not backed by other loans are principally stated at amortized cost using the interest method.  
Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities.

Realized capital gains and losses are determined using the first in first out method. Short term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost. CSM does not engage in subprime residential lending.

**Other than temporary impairments** - Management regularly reviews the value of CSM’s investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is an other-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of CSM to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

**Cash, Cash Equivalents, and Short-Term Investments** - The fair values of cash, cash equivalents, and short-term investments are based on quoted market prices.

**Pharmacy Rebate Receivable-** Pharmacy rebates are attained based on agreements between CSM and a third party administrator for prescription drugs. Pharmacy rebates are admitted if accrued or invoiced within 90 days of the reporting period. Pharmacy rebates are non-admitted if invoiced over 90 days prior to the reporting period.

**Claims and Claim Adjustment Expenses** - Claims unpaid and unpaid claims adjustment expense liabilities represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred through September 30. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

**Premium Revenue** - Substantially all of CSM’s premiums earned are related to a contract with the Michigan Department of Community Health. The contract was effective October 1, 2009 for three years with three additional one year options. Cancellations or nonrenewal of these contracts would affect operating results adversely. Premiums are due monthly and are recognized as revenue in the period in which CSM is obligated to provide services to its members. Premiums received in advance are recorded as unearned premium revenue. In accordance with Statement of Statutory Accounting Principle (SSAP) No. 61, Life, Deposit-Type and Accident Health Reinsurance, payments to a reinsurance carrier for a stop-loss arrangement are deducted from premiums earned.

**Hospital and Medical Cost** - CSM’s contracts with various health care providers for the provision of certain health care services to its members. Participating physicians and hospitals are paid contractually established rates for services to members. The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member, based in part, on estimates. Estimated liabilities for health care services provided to members of CSM include claims reported and estimates (based upon historical experience) of health care services incurred but not reported (IBNR). These estimates are periodically reviewed and are adjusted in accordance with the latest available information in that period in which the information becomes available.

**Reinsurance** - Certain premiums and benefits are ceded to another insurance company under a reinsurance agreement. The ceded reinsurance agreement provides CSM with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. CSM remains obligated for amounts ceded in the event that the reinsurer does not meet their obligations.

	2010		2009	
	Written	Earned	Written	Earned
Direct premiums	\$99,139,544	99,139,544	\$127,086,195	\$127,086,195
Ceded premiums				
Non-affiliates	(291,958)	(291,958)	(390,682))	(390,682)
Net premiums	\$98,847,586	\$98,847,586	\$126,695,513	\$126,695,513\$

Neither CS nor any of its related parties control, directly or indirectly, any reinsurer with whom CSM conducts business. CSM does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement.

## NOTES TO FINANCIAL STATEMENTS

**B. Use of Estimates -**

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amount of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Accounting Changes and Correction of Errors – None**

**3. Business Combinations and Goodwill – None**

**4. Discontinued Operations - None.**

**5. Investments**

- a. Mortgage Loans - None
- b. Debt Restructuring - None
- c. Reverse Mortgage - None
- d. Loan-Backed Securities: CSM investment in two GNMA bonds totaled \$471,544.
  - 1. The company did not have any such securities as of January 1, 1994 therefore the retrospective adjustment method did not apply.
  - 2. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/ dealer survey values.
  - 3. In 2010, the Company did not change from the retrospective methodology to prospective methodology because no negative yields were identified.
- e. Repurchase Agreements - None
- f. Real Estate - None
- g. Low income housing - None

**6. Joint Ventures, Partnerships and Limited Liability Companies - None**

**7. Investment Income –**

Interest income earned through September 30, 2010 is accrued in the accompanying financial statements.

**8. Derivative Instruments – None**

**9. Income Taxes –**

CSM has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code Section 501(c)(3), and as such, is treated as exempt from federal income taxes.

**10. Information Concerning Parent, Subsidiaries and Affiliates**

a.f.g. Effective January 1, 2009, CSM, CareSource Management Services, Inc. (CSMS) and CareSource Management Group Company (CSMG) entered into a long term management agreement, which requires CSM, CSMS and CSMG to provide services and resources to each other at actual cost. The initial term of the agreement is 15 years and shall be terminable only for cause, except that CSM may terminate this agreement without cause at any time for any reason upon one year written notice. The agreement includes a cost sharing agreement, which outlines the allocation of costs for shared resources and direct costs between CS, CSMS and CSMG. Costs are allocated in accordance with SSAP No. 70, Allocation of Expenses.

As of January 1, 2009, the name of CSMG changed to CareSource Management Services, Inc. (CSMS). The entity remains a for profit management services entity. As of January 1, 2009, CSM's Parent company, CareSource USA Holding Co. changed its name to CareSource Management Group Company (CSMG). The entity remains a not for profit holding company entity.

The Company paid management fees to CareSource Management Group and CareSource Management Services of \$6,375,685 for the six months ended September 30, 2010. The Company also paid CareSource Foundation \$69,274 for charitable donations to various Michigan non-profit organizations.

- b. None
- c. None
- d. As of September 30, 2010 and 2009, CSM owed CSMG \$510,952 and \$293,809, respectively, for employee compensation and other administrative expenses incurred by the related party on behalf of CSM.
- As of September 30, 2010 and 2009, CSM owed CSMS \$4,406 and \$46,052, respectively, for employee compensation and other administrative expenses incurred by the related party on behalf of CSM.
- e- None.
- h - None
- i - None
- j - None
- k- None
- l - None

**11. Debt - None**

**12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans**

- a. Defined Benefit Plan - None
- b. Defined Contribution Plan - None
- c. Multi-employer Plans - None
- d. Consolidated/Holding Company Plans - None
- e. Post Employment Benefits and Compensated Absences – None

**13. Capital and Surplus, Distribution Restrictions and Quasi-Reorganizations**

Distribution restrictions –

Without prior approval of its domiciliary commissioner, distributions to member organizations are limited by the laws of the Company's state of incorporation, Michigan and are limited to 10% of surplus or prior year net income.

Dividend or distributions paid - On January 19, 2010 OFIR approved payment of the \$8,000,000 distribution recorded at December 31, 2009. Of the amount, \$7,932,496 was approved as an extraordinary distribution. Payment was completed on January 29, 2010. On October 4, 2010 OFIR approved payment of a \$10,000,000 ordinary distribution. This distribution was recorded as a liability at September 30, 2010 and payment was made on October 6, 2010.

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

- a. Contingent Commitments – None
- b. Assessments - None
- c. Gain Contingencies - None
- d. All other Contingencies – None
- e. Legal Proceedings

Other Lawsuits and Claims

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Penalties associated with violations of these laws and regulations include significant fines and penalties, exclusion from participating in publicly-funded programs, and the repayment of previously billed and collected revenues.

From time to time we are involved in legal actions in the ordinary course of business, some of which seek monetary damages. Some lawsuits and claims are covered by insurance and others are not. The outcome of such legal actions is inherently uncertain. Nevertheless, we believe that these actions, when finally concluded and determined, are not likely to have a material adverse effect on our financial position, results of operations, or cash flows.

15. Leases

The monthly rental for the principal office location of the CSM is the financial responsibility of the CareSource Management Group per the administrative services agreement.

16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk –

No such instruments.

17. Sale, transfer and servicing of financial assets and extinguishments of liabilities

- a. Transfers of receivables reported as sales - None
- b. Transfer and servicing of financial assets - None
- c. Wash sales – None

18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans

- a. ASO plans – N/A
  - b. ASC plans – N/A
  - c. Medicare or similarly structured cost based reimbursed contracts
1. Revenue from the Company’s Medicare (or similarly structured cost based reimbursement contract) contract for the year 2010 consisted of \$294,066 for medical and hospital related services.
  2. As of September 30, 2010, the Company has recorded no receivables from payors whose account balances are greater than 10% of the Company’s amounts receivable from uninsured accident and health plans or \$10,000:
  3. In connection with the Company’s Medicare (or similarly structured cost based reimbursement contract) contract, the Company has recorded no allowances and no reserves for adjustment of recorded revenues at September 30, 2010.
  4. The Company has made no adjustment to revenue resulting from audit receivables related to revenues recorded in the prior period.

19. Direct premium written/produced by managing general agents/third party administrator – Not applicable.

20. Other Items

- a. Extraordinary items – None
- b. Troubled debt restructuring: Debtors - None
- c. Other Disclosures –
  - Beginning with the June 30, CSM reported as part of the CareSource NAIC Group code 3683.
  - Effective June 30, 2010 Fifth Third Bank and Huntington Bank discontinued its participation in the “special” FDIC Insurance Program that provided us with 100% FDIC coverage on all deposits. The limit effective 7/1/10 will be \$250,000. Independent Bank continued its participation in the program. The company is now using a sweep program with Fifth Third and Huntington Banks that invest in Repurchase Agreements that are secured by a pledge of Fifth Third’s government securities portfolio. These investments mature daily and are therefore listed as short term.
- d. Uncollected premiums - None
- e. Business interruption insurance recoveries - None
- f. State transferable tax credits - None
- g. Subprime mortgage related risk - None

21. Events subsequent – None

22. Reinsurance

- A. Ceded Reinsurance Report.
  - Section 1. General Interrogatories
    - 1. No
    - 2. No
  - Section 2 Ceded Reinsurance Report - Part A
    - 1. No
    - 2. No
  - Section 3 Ceded Reinsurance Report - Part B
    - 1. \$291,958
    - 2. No

23. Retrospectively rated contracts & contracts subject to redetermination – None.

24. Change in Incurred Claims and Claims Adjustment Expenses Related to Prior Years

Reserves for incurred claims attributable to insured events of prior years has increased by \$.1 million from \$13.8 million in 2009 to \$13.9 million in 2010 as a result of re-estimation of unpaid claims expense. This increase was the result of ongoing analysis of loss development trends.

25. Intercompany Pooling Arrangements – None

26. Structured Settlements - Not applicable

27. Health Care Receivables

NOTES TO FINANCIAL STATEMENTS

CSM recorded no pharmacy rebates receivable at September 30 and during 2010, collected \$1,158,528 for rebates related to 2009. Pharmacy rebates are netted with pharmacy expense.

Column 1 Quarter	Column 2 Estimated Pharmacy Rebates As Reported on Financial Statements	Column 3 Pharmacy Rebates as billed or Otherwise Confirmed	Column 4 Actual Rebates Received within 90 days of Billing	Column 5 Actual Rebates Received Within 91 to 180 days of Billing	Column 6 Actual Rebates Received More than 180 days of Billing
‘09/30/10					
06/30/10	78,319	-		-	
03/31/10	240,435	168,638		168,638	
12/31/09	254,316	211,646		211,646	
09/30/09	236,025	310,658		310,658	
06/30/09	251,440	268,482		268,482	
03/31/09	248,469	282,177		282,177	
12/31/08	280,122	287,075		287,075	
09/30/08	198,315	248,289		248,289	
06/30/08	228,282	240,926			240,926
03/31/08	235,233	236,396			236,396

28. Participating Policies - Not applicable

29. Premium Deficiency Reserves - Not deemed necessary

30. Anticipated Salvage and Subrogation – Subrogation recoveries totaled \$345,475 for the period ended September 30, 2010.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? .....

Yes ☐ No ☒
- 1.2

If yes, has the report been filed with the domiciliary state? .....

Yes ☐ No ☐
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes ☐ No ☒
- 2.2

If yes, date of change: .....
3.

Have there been any substantial changes in the organizational chart since the prior quarter end? .....

Yes ☐ No ☒

If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes ☐ No ☒
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? .....

If yes, attach an explanation.

Yes ☐ No ☒ NA ☐
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2008
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2008
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

02/11/2010
- 6.4

By what department or departments?  
State of Michigan, Office of Financial and Insurance Regulation.....
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes ☒ No ☐ NA ☐
- 6.6

Have all of the recommendations within the latest financial examination report been complied with? .....

Yes ☒ No ☐ NA ☐
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? .....

Yes ☐ No ☒
- 7.2

If yes, give full information:  
.....
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? .....

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms? .....

Yes ☐ No ☒
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

GENERAL INTERROGATORIES

- 9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity; (c) Compliance with applicable governmental laws, rules and regulations; (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and (e) Accountability for adherence to the code.

Yes [X] No [ ]
- 9.11

If the response to 9.1 is No, please explain:
- 9.2

Has the code of ethics for senior managers been amended?

Yes [ ] No [X]
- 9.21

If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [X]
- 9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ ] No [X]
- 10.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

- 11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [ ] No [X]
- 11.2

If yes, give full and complete information relating thereto:
12.

Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$
13.

Amount of real estate and mortgages held in short-term investments:

\$
- 14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes [ ] No [X]
- 14.2

If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$ 0	\$ 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

- 15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes [ ] No [X]
- 15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ]

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? .....

Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank.....	1111 Lyon St. NW, Grand Rapids, MI 49503.....

16.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? .....

Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? .....

Yes [X] No [ ]

17.2 If no, list exceptions:

.....



GENERAL INTERROGATORIES  
PART 2 - HEALTH

1 Operating Percentages	
1.1 A&H loss percent	82.6 %
1.2 A&H cost containment percent	2.6 %
1.3 A&H expense percent excluding cost containment expenses	80.0 %
2.1 Do you act as a custodian for health savings accounts?	Yes [ ] No [X]
2.2 If yes, please provide the amount of custodial funds held as of the reporting date.	\$
2.3 Do you act as an administrator for health savings accounts?	Yes [ ] No [X]
2.4 If yes, please provide the balance of the funds administered as of the reporting date.	\$

## Showing All New Reinsurance Treaties - Current Year to Date

[illegible]

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories										
States, Etc.	1	Direct Business Only								
		2	3	4	5	6	7	8	9	
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts	
1. Alabama	AL	N						0		
2. Alaska	AK	N						0		
3. Arizona	AZ	N						0		
4. Arkansas	AR	N						0		
5. California	CA	N						0		
6. Colorado	CO	N						0		
7. Connecticut	CT	N						0		
8. Delaware	DE	N						0		
9. Dist. of Columbia	DC	N						0		
10. Florida	FL	N						0		
11. Georgia	GA	N						0		
12. Hawaii	HI	N						0		
13. Idaho	ID	N						0		
14. Illinois	IL	N						0		
15. Indiana	IN	N						0		
16. Iowa	IA	N						0		
17. Kansas	KS	N						0		
18. Kentucky	KY	N						0		
19. Louisiana	LA	N						0		
20. Maine	ME	N						0		
21. Maryland	MD	N						0		
22. Massachusetts	MA	N						0		
23. Michigan	MI	L	2,333,858	96,805,686				99,139,544		
24. Minnesota	MN	N						0		
25. Mississippi	MS	N						0		
26. Missouri	MO	N						0		
27. Montana	MT	N						0		
28. Nebraska	NE	N						0		
29. Nevada	NV	N						0		
30. New Hampshire	NH	N						0		
31. New Jersey	NJ	N						0		
32. New Mexico	NM	N						0		
33. New York	NY	N						0		
34. North Carolina	NC	N						0		
35. North Dakota	ND	N						0		
36. Ohio	OH	N						0		
37. Oklahoma	OK	N						0		
38. Oregon	OR	N						0		
39. Pennsylvania	PA	N						0		
40. Rhode Island	RI	N						0		
41. South Carolina	SC	N						0		
42. South Dakota	SD	N						0		
43. Tennessee	TN	N						0		
44. Texas	TX	N						0		
45. Utah	UT	N						0		
46. Vermont	VT	N						0		
47. Virginia	VA	N						0		
48. Washington	WA	N						0		
49. West Virginia	WV	N						0		
50. Wisconsin	WI	N						0		
51. Wyoming	WY	N						0		
52. American Samoa	AS	N						0		
53. Guam	GU	N						0		
54. Puerto Rico	PR	N						0		
55. U.S. Virgin Islands	VI	N						0		
56. Northern Mariana Islands	MP	N						0		
57. Canada	CN	N						0		
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	
59. Subtotal	XXX	0	2,333,858	96,805,686	0	0	0	99,139,544	0	
60. Reporting entity contributions for Employee Benefit Plans	XXX							0		
61. Total (Direct Business)	(a) 1	0	2,333,858	96,805,686	0	0	0	99,139,544	0	
DETAILS OF WRITE-INS										
5801.	XXX							0		
5802.	XXX							0		
5803.	XXX							0		
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0		

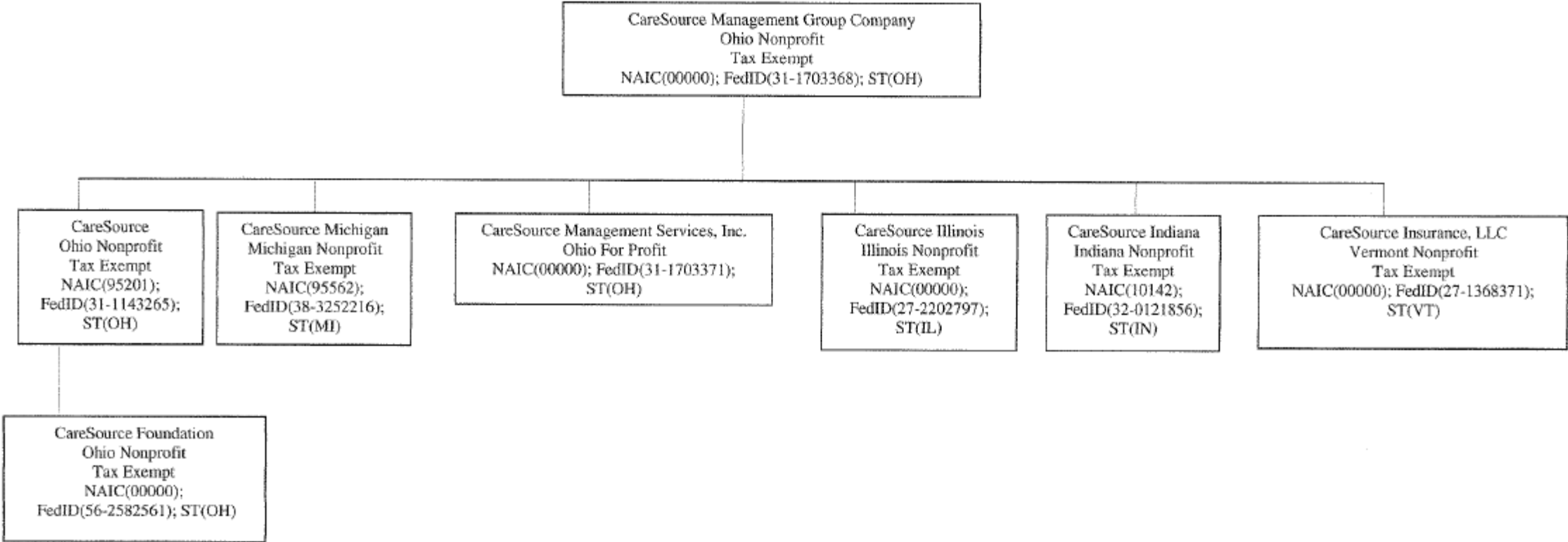
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and other Alien.

All premiums are written in the State of Michigan.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

CareSource Family of Companies  
Corporate Structure



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

Explanation:

1.

Bar Code:

1.



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**OVERFLOW PAGE FOR WRITE-INS**

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SCHEDULE A – VERIFICATION

Real Estate

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		.0
2.2 Additional investment made after acquisition .....		.0
3. Current year change in encumbrances .....		.0
4. Total gain (loss) on disposals .....		.0
5. Deduct amounts received on disposals .....		.0
6. Total foreign exchange change in book/adjusted carrying value .....		.0
7. Deduct current year's other than temporary impairment recognized .....		.0
8. Deduct current year's depreciation .....		.0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4+5+6-7-8) .....	.0	.0
10. Deduct total nonadmitted amounts .....	.0	.0
11. Statement value at end of current period (Line 9 minus Line 10) .....	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1. Actual cost at time of acquisition .....		.0
2.2. Additional investment made after acquisition .....		.0
3. Capitalized deferred interest and other .....		.0
4. Accrual of discount .....		.0
5. Unrealized valuation increase (decrease) .....		.0
6. Total gain (loss) on disposals .....		.0
7. Deduct amounts received on disposals .....		.0
8. Deduct amortization of premium and mortgage interest points and commitment fees .....		.0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....		.0
10. Deduct current year's other than temporary impairment recognized .....		.0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	.0	.0
12. Total valuation allowance .....		.0
13. Subtotal (Line 11 plus Line 12) .....	.0	.0
14. Deduct total nonadmitted amounts .....	.0	.0
15. Statement value at end of current period (Line 13 minus Line 14) .....	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1. Actual cost at time of acquisition .....		.0
2.2. Additional investment made after acquisition .....		.0
3. Capitalized deferred interest and other .....		.0
4. Accrual of discount .....		.0
5. Unrealized valuation increase (decrease) .....		.0
6. Total gain (loss) on disposals .....		.0
7. Deduct amounts received on disposals .....		.0
8. Deduct amortization of premium and depreciation .....		.0
9. Total foreign exchange change in book/adjusted carrying value .....		.0
10. Deduct current year's other than temporary impairment recognized .....		.0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	.0	.0
12. Deduct total nonadmitted amounts .....	.0	.0
13. Statement value at end of current period (Line 11 minus Line 12) .....	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	18,586,655	19,374,506
2. Cost of bonds and stocks acquired .....		1,877,338
3. Accrual of discount .....	76,188	95,403
4. Unrealized valuation increase (decrease) .....		.0
5. Total gain (loss) on disposals .....		.659
6. Deduct consideration for bonds and stocks disposed of .....	1,640,003	2,725,666
7. Deduct amortization of premium .....	30,238	35,586
8. Total foreign exchange change in book/adjusted carrying value .....		.0
9. Deduct current year's other than temporary impairment recognized .....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9) .....	16,992,602	18,586,655
11. Deduct total nonadmitted amounts .....	.0	.0
12. Statement value at end of current period (Line 10 minus Line 11) .....	16,992,602	18,586,655

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	38,625,298	1,075,494	5,703,223	13,631	17,225,181	38,625,298	34,011,200	16,983,636
2. Class 2 (a).....	2,937,251	0	0	5,802	2,937,251	2,937,251	2,943,053	2,934,403
3. Class 3 (a).....	0				0	0	0	0
4. Class 4 (a).....	0				0	0	0	0
5. Class 5 (a).....	0				0	0	0	0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	41,562,549	1,075,494	5,703,223	19,433	20,162,431	41,562,549	36,954,253	19,918,039
<b>PREFERRED STOCK</b>								
8. Class 1 .....	0				0	0	0	0
9. Class 2 .....	0				0	0	0	0
10. Class 3 .....	0				0	0	0	0
11. Class 4 .....	0				0	0	0	0
12. Class 5 .....	0				0	0	0	0
13. Class 6 .....	0				0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	41,562,549	1,075,494	5,703,223	19,433	20,162,431	41,562,549	36,954,253	19,918,039

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ \_\_\_\_\_ ; NAIC 2 \$ \_\_\_\_\_ ;  
NAIC 3 \$ \_\_\_\_\_ ; NAIC 4 \$ \_\_\_\_\_ ; NAIC 5 \$ \_\_\_\_\_ ; NAIC 6 \$ \_\_\_\_\_



SCHEDULE DA - PART 1

Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	19,961,651	XXX	19,961,651	5,040	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	1,331,384	3,990,000
2. Cost of short-term investments acquired .....	25,960,654	143,979,198
3. Accrual of discount .....		.0
4. Unrealized valuation increase (decrease).....		.0
5. Total gain (loss) on disposals .....		.0
6. Deduct consideration received on disposals .....	7,330,387	146,637,814
7. Deduct amortization of premium.....	.0	.0
8. Total foreign exchange change in book/adjusted carrying value.....		.0
9. Deduct current year's other than temporary impairment recognized.....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	19,961,651	1,331,384
11. Deduct total nonadmitted amounts.....		.0
12. Statement value at end of current period (Line 10 minus Line 11)	19,961,651	1,331,384

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION  
(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	0
2. Cost of cash equivalents acquired .....	40,755,804	0
3. Accrual of discount .....		0
4. Unrealized valuation increase (decrease) .....		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals .....	33,040,696	0
7. Deduct amortization of premium .....		0
8. Total foreign exchange change in book/adjusted carrying value .....		0
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	7,715,108	0
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11)	7,715,108	0

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

## E04

## E04

E04

E04

E04

## SCHEDULE D - PART 4

[illegible]

E05

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D

NONE

## SCHEDULE E - PART 1 - CASH

E09



## SCHEDULE E - PART 2 - CASH EQUIVALENTS

[illegible]